in 1900 imposed on limited liability companies the obligation to disclose the charges they created. This was to the great advantage of the unsecured creditors but a limit was put to that advantage by giving a responsible official the right to judge whether all the prescribed particulars were in order. Once he has done this, in order they are, even though the company has misstated them or the registrar has taken a wrong view.

Mr. Slade's argument was that it was a condition precedent to the registration of a charge by the registrar that the particulars should have been delivered to him in time and that if that were not done he had no jurisdiction and the registration was a mere nullity. I cannot accept this view. The duty to register the prescribed particulars is put on the registrar; the date of the creation of the charge is one of the particulars he is required to enter and if he is not in a position to investigate the matter further but acts on the particulars furnished by the applicant company that is the end of the matter. *Charnley's* case [1924] 1 K.B. 431 is indistinguishable from the present. The certificate is no less conclusive as to date than as to amount and to hold otherwise would frustrate the whole purpose of the legislature."

In the light of the foregoing authorities, there can be no doubt that even if each daily certificate should be registered and it was not registered, that omission would not invalidate the LOH which had been registered. I accept the submission of Mr. Lloyd on this point. The registration certificate of the registrar must, as section 134(2) provides, be treated as conclusive.

There remains one subsidiary issue before me. What is the significance of the "nil" certificate dated 25 February 1986 issued by the company to the banks. In the light of the views which I hold that the LOHs created a floating charge over all shares held by the company and that the daily certificate was of no legal effect, it must follow that the "nil" certificate was also of no legal consequence.

Another reason I think the "nil" certificate was of no effect is because it was issued after the floating charge had crystallized. I realize that the question of the date of crystallization has not been fully argued before me though the parties have referred to it and seemed to be in agreement that 22 February 1986 was the date of crystallization.

From the affidavits filed by the liquidators, it would appear that the company to all intents and purposes ceased to carry on its normal business of stockbroking on 22 February 1986. Lord MacNaghten in *Government Stocks And Other Securities Investment Co.* v. *Manila Ry. Co.*[5] at p. 86 said:

"It is of the essence of such a charge that it remains dormant *until the undertaking charged ceases to be a going concern*, or until the person in whose favour the charge is created intervenes."

Gough on *Company Charges* in dealing with the grounds for crystallization states at p. 85:

"The precise grounds for crystallization may now be examined. All of them, as they emerge from the cases, postulate the stoppage of the company as a going concern and the consequential cessation by the company of trading in the ordinary course (at least as regards the assets subject to the floating security). A floating security, then, crystallizes in the following circumstances:

...

(2) If the company itself stops trading in fact without as yet being in winding-up."

Accordingly, in my view, in this case crystallization took place on 22 February 1986.

Order accordingly.

Solicitors: *Chor Pee & Co.; Khattar Wong & Partners; Drew & Napier; Lim & Lim; Chan Cher Boon & Partners; Allen & Gledhill; Shook Lin & Bok; Haridass Ho & Partners; Wong Yoong Tan & Molly Lim; Ruth Chia & Co.; Tang & Tan; Chung & Co.*

NG CHYE MONG PTE. LTD. v. PUBLIC PROSECUTOR

[A.Cr.J. (Chan Sek Keong J.C.) 29 February 1988]

[Singapore – Magistrate's Appeals Nos. 124 and 197 of 1987]

Criminal Law – Trade marks – Counterfeit labels – Selling bottles of liquor with counterfeit trade mark – Function of trade mark – Trade mark law – Explanation of – Whether need to prove that contents of bottles were also not genuine – Nature of offence – "Counterfeit" – Meaning of – Trade Marks Act (Cap. 206, 1970 Ed.), ss. 69A, 69B & 69D – Penal Code (Cap. 103, 1970 Ed.), s. 28.

Trade Marks – Counterfeit labels – Selling bottles of liquor with counterfeit trade mark – Function of trade mark – Trade mark law – Explanation of – Trade Marks Act (Cap. 206, 1970 Ed.) – Legislative history of – Whether need to prove that contents of bottles were also not genuine – Nature of offence – "Counterfeit" – Meaning of – Trade Marks Act (Cap. 206, 1970 Ed.), s. 69A, 69B & 69D – Penal Code (Cap. 103, 1970 Ed.), s. 28.

The appellants were convicted in a magistrate's court for selling 17,246 bottles bearing the counterfeit trade marks of Hennessy XO Cognac to one Lim Kim Teck who was the

representative of the local distributors of the liquor. The offence was under section 69D of the Trade Marks Act (Cap. 206, 1970 Ed.) and punishable under section 69D(b) of the said Act.

The appellants contended that a trade mark which was an unauthorized copy of a registered trade mark could not be a counterfeit if it was used for the purpose of trade or otherwise in relation to the goods of the registered proprietor. They further contended that the provenance or genuineness of the brandy was an essential ingredient of the offence contemplated by section 69D of the Act and that the prosecution had failed to establish that the contents of the seized bottles were not genuine Hennessy XO brandy.

The prosecution, however, submitted that section 69D created an offence of strict liability, the ingredients of which were (a) a sale of goods with (b) counterfeit trade marks affixed thereon, and that the genuineness of the goods was irrelevant. It was argued that the expert evidence showed that the trade marks and the labels on the bottles were not those of the Hennessy company.

Held, allowing the appeal: (1) a person may copy a trade mark or print the labels containing the trade marks provided that he does so without any intention to pass off goods or allows them to pass off goods not manufactured by the owner of the trade mark as goods manufactured by such owner;

(2) in the law of trade marks, a trade mark is not merely a mark. The right of a proprietor in a trade mark is not a right to own it as a commodity. The right in a trade mark is merely a right to use it on goods to indicate the origin of the goods. It is a mark used in the course of trade to distinguish the goods of the proprietor of the marks from the goods of other manufacturers. That is the *raison d'etre* of a trade mark. If a manufacturer has no intention to use a trade mark for the purpose, he is not entitled to claim ownership of it as a trade mark. If he has registered it without such intention or, having such intention, does not actually use it or having used it, ceases to do so, he loses the right to the trade mark;

(3) for a charge to be made out under section 69D of the Act, the prosecution must prove that the accused had in his possession for sale goods to which have been affixed or impressed a trade mark without the consent of the owner thereof calculated to deceive customers into believing that the goods were genuine (*i.e.* originating from the owner of the trade mark) when they were not;

(4) in this case, the prosecution had not produced any evidence to prove that the 17,246 bottles containing XO Cognac brandy were not manufactured by the Hennessy company. No test of the contents was conducted;

(5) the conviction of the appellants cannot be sustained and was set aside. The fine of $2,000 was ordered to be refunded and the 17,246 bottles were ordered to be returned to the appellants.

Cases referred to:

(1) *Re Application of Vitamins Ltd.* [1955] 3 All E.R. 827 (apprvd).
(2) *Farina* v. *Silverlock* (1857) 26 L.J. (NS) Eq. 11 (cited).
(3) *John Jameson & Son* v. *R.S. Johnston & Co. Ltd.* (1901) 18 R.P.C. 259 (refd).
(4) *Re American Greetings Corp.'s Application* [1983] 2 All E.R. 609 (refd).
(5) *Re Arnold D. Palmer* [1987] 2 M.L.J. 681 (refd).
(6) *Champagne Heidsieck et Cie* v. *Buxton* [1930] 1 Ch. 330 (refd).
(7) *Revlon Inc.* v. *Cripps & Lee Ltd.* [1980] F.S.R. 85 (refd).
(8) *Protective Mining & Industrial Equipment Systems (Pty) Ltd.* v. *Audiolens (Cape) (Pty)* [1987] S.A.L.R. 961 (refd).
(9) *RA & A Bailey* v. *Bonccaccio Pty. Ltd.* 6 I.P.R. 279 (refd).
(10) *John Waddington Ltd. & 2 Ors.* v. *Lian Tong & Co.*, Suit No. 7716/84 (unreported) (refd).
(11) *Syon Sheeman & Co.* (1925) 27 Cr.L.J. 755 (folld).
(12) *Local Government* v. *Motilal Jain* (1936) 39 Cr.L.J. 1938 (folld).
(13) *Dasarath Singh* v. *State* [1956] Cr. L.J. 738; A.I.R. 1956 Cal. 260 (folld).
(14) *Dina Nath Kapoor* v. *State* [1963] 1 Cr. L.J. 282; A.I.R. 1963 All. 133 (folld).
(15) *Sumat Prasad* v. *Sheojanan Prasad* A.I.R. 1972 S.C. 2488 (folld).

MAGISTRATE'S APPEAL.

Gavin Lightman Q.C. (*Richard Tan* with him) for the appellants.

Lawrence Ang (*Lee Seiu Kin* with him) for the Public Prosecutor.

Cur. Adv. Vult.

Chan Sek Keong J.C.: The appellants were convicted in the magistrate's court on May 23, 1987 on the following charge:

"You, on or about January 28, 1985, at Intrans Distribution Services Pte. Ltd., Inchape House, 450/452, Alexandra Road, Singapore did sell 17,246 bottles bearing the counterfeit trade marks of Hennessy XO Cognac to one Lim Kim Teck who is the representative of Riche Monde Pte. Ltd. and you have thereby committed an offence under section 69D of the Trade Marks Act, Chapter 206 and punishable under section 69D(b) of the said Act."

The magistrate imposed the maximum fine of $2,000 and ordered that the said 17,246 bottles be forfeited for destruction.

The appellants have now appealed against the conviction and sentence.

Before I consider the grounds of appeal, it will be useful to set out the facts and events leading to the appellants being charged and convicted.

At all material times, Societe Jas Hennessy et Co. ("the Hennessy company") was the registered

proprietor in Singapore of Trade Mark No. 77727 ("the Hennessy trade mark"). The Hennessy trade mark consists of the word "Hennessy" with a picture on its left side of an arm carrying an axe enclosed in a square. On January 28, 1985, Riche Monde Pte. Ltd. ("Riche Monde"), the local distributors of Hennessy brandy and a subsidiary of the Hennessy company, purchased at the price of $1.88 million from the appellants a large stock of "Hennessy XO Cognac" brandy which was then stored at the warehouse referred to in the charge. The stock of brandy consisted of large and small bottles packed in cardboard cartons.

Riche Monde took delivery of the goods but, before paying the purchase price, sought the assistance of the Hennessy company, who were producers of the brandy sold under the "Hennessy trade mark", to verify the authenticity of the labels on the bottles. Each label had printed on it a mark almost identical with the "Hennessy" trade mark. Two experts (PW1 and PW6) were sent from France to examine the labels and the cardboard cartons. PW1 was an employee of the Hennessy company. He was in charge of the printing of labels containing the "Hennessy" trade mark. He was conversant with the quality of the labels used by the Hennessy company and labelling of Hennessy bottles since 1980. Over a period of five days, from January 29, 1985 to February 2, 1985, he examined all the labels. After a detailed analysis of the paper, the dye used and other features of the labels, he came to the conclusion that the labels on the 17,246 bottles were not the labels of the Hennessy company. To him, the trade mark on each of the said labels was therefore "counterfeit". However, he was not asked to, and he did not, examine the contents of the bottles as he was not qualified to do so. He did not know whether the contents were genuine Hennessy XO brandy. However, he testified that the Hennessy company could have tested the brandy but that it had not done so. The Hennessy company did not sell Hennessy XO brandy in bulk to anyone for subsequent bottling, labelling or packaging, but only the finished product with the labels on.

PW6, who was an employee of the exclusive manufacturer/supplier of the corrugated cardboard used to make the cartons for the Hennessy company, examined the cartons and concluded that the cardboard was not produced by his employers.

On February 6, 1985, PW3, the managing director of Riche Monde, made a police report at the Queenstown Police Station that the company had bought a large stock of Hennessy Cognac brandy from the appellants and that "the majority of the stocks carried counterfeit trade marks and cartons. The counterfeit products are being returned to [the appellants]." On the same day, he rejected the 17,246 bottles and on February 7, 1985, the appellants gave a credit note to Riche Monde for the said 17,246 bottles and also a cheque for $1,450,246.87.

On February 7, 1985, the police seized all the 17,246 bottles under section 69D of the Trade Marks Act.

On October 14, 1985, PW3 made a complaint under section 132(2) of the Criminal Procedure Code in regard to the 17,263 bottles and prayed for a summons to be issued against one Ng Khiok Hai under section 69D of the Trade Marks Act. The relevant part of his complaint stated that "the experts found that 17,263 bottles of Hennessy XO Cognac are affixed with counterfeit labels". The said summons was issued by a magistrate on November 19, 1985.

On January 6, 1987, a detective sergeant made a similar complaint under section 132(2) of the Criminal Procedure Code for the purpose of obtaining a summons against the appellants. The relevant part of the complaint reiterated the findings of PW1 and PW6 that the 17,246 bottles had "counterfeit" labels on them. The summons was issued on February 16, 1987.

Certain background evidence emerged at the trial which puts the complaint of Riche Monde in its proper perspective:

(a) Riche Monde had prior to 1985 bought genuine Hennessy brandy from the appellants in order to control the market, *i.e.* "to keep the official price from being disrupted". In 1984 Riche Monde had bought a stock of Hennessy brandy from the appellants which was genuine Hennessy brandy even though the company had found "counterfeit" labels in one carton.

(b) Between March 12, 1985 and April 19, 1985, the solicitors for Riche Monde and for the appellants exchanged correspondence (exhibits C to G), the effect of which was that the complaint of Riche Monde was that the trade marks on the 17,246 bottles were counterfeit trade marks.

In the course of the trial, counsel for the appellants made an application to the court that samples of the seized goods be sent for examination by experts to determine the genuineness of the contents. This application was rejected by the magistrate on the grounds that it was prematurely made (the prosecution not having closed its case) and also that the genuineness or otherwise of the contents of the bottles was wholly irrelevant to the issue whether the trade marks affixed to the bottle were counterfeit trade marks or not.

At the end of the prosecution's case, defence counsel tendered a written submission, the gist of which was that the appellants had no case to answer on the following grounds: (a) that a trade mark which was an unauthorized copy of a registered trade mark could not be a counterfeit if it was used for the purpose of trade or otherwise in relation to the goods of the registered proprietor; (b) that the provenance or genuineness of the brandy was an essential ingredient of the offence contemplated by section 69D of the Trade Marks Act; (c) that the prosecution had failed to establish that the contents of the seized bottles were not genuine Hennessy XO brandy.

The Deputy Public Prosecutor submitted that section 69D created an offence of strict liability, the ingredients of which were (a) a sale of goods with (b) counterfeit trade marks affixed thereon, and that the genuineness of the goods was irrelevant. The expert evidence showed that the trade marks and the labels on the bottles were not those of the Hennessy company.

The magistrate accepted the Deputy Public Prosecutor's submission on the law and called for the defence. The appellants elected to remain silent and were convicted. In mitigation, defence counsel asserted that the brandy in the bottles was genuine. The appellants were fined $2,000, being the maximum fine imposed by the law.

The prosecution applied for the forfeiture of the 17,246 bottles under section 385 of the Criminal Procedure Code. Defence counsel submitted that the proper order should be that the bottles be returned to the appellants with the labels removed since their contents was not an issue. He offered to make available to the court a report that the contents of the bottles were brandy. The magistrate made no ruling on this offer but, after considering the submission of both parties, ordered the forfeiture and destruction of the 17,246 bottles and their contents.

I now refer to the grounds of decision of the magistrate on the law. Section 69D of the Trade Marks Act provides as follows:

> "Any person who imports, sells or exposes or has in his possession for sale or any purpose of trade or manufacture any goods or things with a counterfeit trade mark affixed to or impressed upon the same or to or upon any case, package or other receptacle in which such goods are contained, shall, unless he proves that –
>
> (a) having taken all reasonable precaution against committing an offence under this section, he had, at the time of the commission of the alleged offence, no reason to suspect the genuineness of the mark and on demand made by or on behalf of the prosecution, he gave all the information in his power with respect to the persons from whom he obtained such goods or things; or
>
> (b) otherwise he had acted innocently,
>
> be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding one year or to a fine not exceeding two thousand dollars or to both."

The magistrate referred to the definition of a "trade mark" in section 2 of the Act but did not relate its meaning to section 69D. In interpreting the meaning of "counterfeit", the magistrate relied on section 69B of the Act as a guidance to the meaning of that word. As section 69B cannot be properly understood except in its application to section 69A, I will reproduce both sections below:

> "69A. Any person who counterfeits any trade mark used by any other person shall be guilty of an offence and shall be liable on conviction to imprisonment for a term not exceeding two years or to a fine not exceeding five thousand dollars or to both."
>
> "69B.(1) A person shall be deemed to counterfeit a trade mark who either –
>
> (a) without the consent of the proprietor of the trade mark makes that trade mark or a mark so nearly resembling that trade mark as to be calculated to deceive; or
>
> (b) falsifies any genuine trade mark whether by alteration, addition, effacement or otherwise.
>
> (2) In any prosecution for counterfeiting a trade mark the burden of proving the consent of the proprietor shall lie on the defendant."

Having regard to section 69B, the magistrate held that "a trade mark is deemed to be counterfeit if that trade mark, or that which has a close resemblance to it and which is calculated to deceive, is made without the consent of the pro-

prietor." Based on this interpretation, he then made the following finding:

"Having regard to the evidence of PW1 and PW6 and to PW1's report (P4T) it was clear that the trade marks found on the 17,246 bottles closely resembled the genuine trade mark. Their use on these 17,246 bottles was, in my opinion, calculated to deceive customers as these bottles and their contents (the goods) were sold as goods affixed with the genuine Hennessy trade mark, which indeed they were not."

This passage clearly shows that the magistrate was of the view that what is prohibited under section 69D is not the unauthorized act of someone using the proprietor's trade mark to pass off goods not of the proprietor's manufacture but of using the trade mark to deceive customers into believing that the trade mark was affixed by the proprietor. This is made abundantly clear by another passage in the magistrate's grounds of decision:

"There is a distinction between a counterfeit *trade mark* and a counterfeit *product*. In the court's view this distinction is important in any proceedings concerning an alleged offence under section 69D of the Act. The section speaks of a 'counterfeit trade mark' and 'genuineness of the mark'. The section makes the mere possession of things or goods with counterfeit trade marks affixed to or impressed upon them an offence, unless, a person can bring himself within the two defences available in paragraphs (a) and (b) thereof. The section, and indeed the Trade Marks Act, does not concern itself with the genuineness or otherwise of goods or products. To my mind even if, at the end of the day, the contents of these 17,246 bottles were indeed genuine Hennessy XO Cognac brandy, the fact that there were counterfeit trade marks affixed on them would expose a person in possession of them to criminal proceedings, under section 69D of the Act, unless of course, he brings himself within the two defences in paragraphs (a) and (b) of the section."

On appeal, counsel for the appellants submitted that the court should adopt a purposive construction of section 69D of the Act in order to reinforce and support the rights of trade mark owners under the civil law rather than to create additional rights in their favour or a wide concept of infringement enforceable through the medium of the criminal (but not the civil) law. On this approach, section 69D would require as a precondition to the commission of an offence the existence of spurious goods to which a trade mark has been affixed. Whether a trade mark was counterfeit or genuine would depend not upon by whom the trade mark has been made of affixed but upon whether the goods are genuine or infringing. In other words, the expression "counterfeit trade mark" should be construed to mean a trade mark used or intended to be used on infringing (and not genuine) goods. He referred to the decision in *Re Application of Vitamins Ltd.*[1] in support of this approach.

It was further submitted that since section 69D created a new offence, it should be construed strictly and that the legislature could not have intended to make it a criminal offence for someone merely to write out or draw the subject matter of the trade mark without the consent of the proprietor.

The Deputy Public Prosecutor supported the grounds of and the decision of the magistrate. He contended that section 69D was plain and that the use of the expression "genuiness of the trade mark" therein indicated that a counterfeit trade mark was meant to refer to the trade mark itself and not to the goods. In his view, the mere making of the trade mark without the consent of a proprietor was by itself an offence by virtue of section 69B. No authority was cited for these submissions. He also contended that the rights of a proprietor of a trade mark under the civil law had no relevance to the construction of section 69D as that section read with section 69B was clear in its terms.

The construction of sections 69B and 69D given by the magistrate and sought to be upheld by the Deputy Public Prosecutor has far-reaching consequences. It means, as he has contended, that anyone who draws the Hennessy trade mark without the consent of the Hennessy company is deemed to have counterfeited that trade mark and thereby committed an offence by virtue of section 69B of the Act. No defence of any kind is available except for the General Exceptions in the Penal Code. There is no apparent reason why such an unauthorized act should be so inimical to the public welfare that it should be prohibited. If section 69B has the meaning so contended, all kinds of other innocuous or even useful acts will also become prohibited. For example, no one in Singapore can write a book on the law of trade marks or on trade mark designs and reproduce the Hennessy trade mark without the consent of the Hennessy company without committing an offence. It is not apparent to this court what is the public interest that is being protected in making it an offence for a person to affix a trade mark without the consent of the proprietor of the trade mark to the merchandize of that proprietor. The number of inconveniences caused to the public by such a law without any apparent corresponding public interest to protect can be multiplied manifold.

The corresponding effect of such a criminal law is that owners of trade marks would have ob-

tained rights in such marks which are not available to them under the civil law. At common law, a trade mark is not a copyright but merely:

"a right on the part of any person designating his wares or commodities by a particular trade mark ... to prevent anybody else from selling wares, which are not those manufactured by the plaintiff, with that trade mark, in order to mislead the public, and so incidentally to injure the person who is owner of the trade mark ... I apprehend the law is perfectly clear that anybody, who has acquired a particular mode of designating his particular manufacture, has a right to say, not that other persons shall not sell exactly the same article, better or worse, or looking exactly like it, but that they shall not so sell it as to steal the plaintiff's trade mark, and make purchasers believe it is the manufacture of somebody else."

(per Lord Cranworth in *Farina* v. *Silverlock*[2] at p. 12.)

Accordingly, a person may copy a trade mark or print the labels containing the trade marks provided that he does so without any intention to pass off or allows them to pass off goods not manufactured by the owner of the trade mark as goods manufactured by such owner: see *Farina* v. *Silverlock*[2]; *John Jameson & Son* v. *R.S. Johnston & Co. Ltd*[3].

In the law of trade marks, a trade mark is not merely a mark. The right of a proprietor in a trade mark is not a right to own it as a commodity. That is why trafficking in a trade mark (dealing in it as a commodity) is one of the cardinal sins of trade marks law; see Dillion L.J. in *Re American Greetings Corp.'s Application*[4]. The right in a trade mark is merely a right to use it on goods to indicate the origin of the goods. It is a mark used in the course of trade to distinguish the goods of the proprietor of the marks from the goods of other manufacturers. That is the *raison d'etre* of a trade mark. If a manufacturer has no intention to use a trade mark for this purpose, he is not entitled to claim ownership of it as a trade mark. If he has registered it without such intention or, having such intention, does not actually use it or having used it, ceases to do so, he loses the right to the trade mark: see *Re Arnold D. Palmer.*[5]

The trade marks legislation beginning with the Act of 1875 in England did not change the fundamental nature of a trade mark. In *Champagne Heidsieck et Cie* v. *Buxton*[6], the court held that the proprietor's "exclusive right" was a right which had existed at common law to prevent others from selling wares which were not marked with the trade mark. The decision in this case has been upheld by the Court of Appeal in *Revlon Inc.* v. *Cripps & Lee Ltd.*[7] in its application to the Trade Marks Act 1938 where the Court of Appeal held that parallel imports do not infringe the manufacturer's trade mark nor do they constitute passing off. This is also the law in South Africa (see *Protective Mining & Industrial Equipment Systems (Pty) Ltd.* v. *Audiolens (Cape) (Pty) Ltd.*[8]); New South Wales (see *RA & A Bailey* v. *Boccaccio Pty. Ltd.*[9]); and Singapore (see *John Waddington Ltd. & 2 Ors.* v. *Lian Tong & Co.*[10]).

Having regard to the rights of a trade mark owner under the common law and the decision of the *Heidsieck* case[6] (which was approved by the Court of Appeal in 1980) that the first trade marks statute, *i.e.* the 1875 Act, did not extend the rights of a registered proprietor in respect of their trade marks, it would be surprising if the government in Singapore had intended by the Merchandize Marks Ordinance of 1916 to confer additional rights on trade mark owners through the operation of the criminal law.

I turn now to the approach adopted by Lloyd-Jacob J. in *Re Application of Vitamins Ltd.*[1] in. construing section 4 of the Merchandize Marks Act 1887. It is found in the following passage in his judgment:

"It therefore becomes necessary to consider what is comprised within the phrase 'forges any trade mark'. Section 4 of the Act of 1887 provides:

'A person shall be deemed to forge a trade mark who either – (a) without the assent of the proprietor of the trade mark makes that trade mark or a mark so nearly resembling that trade mark as to be calculated to deceive or (b) falsifies any genuine trade mark ...'

I need not trouble with the second alternative. I have only to consider the consequences of the first. The construction of that section presents some difficulty by reason of the use of the phrase 'makes that trade mark'. In my judgment, that necessarily conveys to the mind more than a delineation of the word or device which comprises the mark. By using the words 'the trade mark' there is, the Act imports, in my judgment, an association of the word or device with a course of trade in goods, such as will truly constitute that which is done an act relating to goods in the course of trade. It would be most extravagant to suppose that, if a person used, for example, a word on and in relation to one type of goods, the legislature were constituting that to be an offence merely because there was an existing trade mark consisting of the same word but used in relation to totally different goods, in respect of which the person using the word was in no sense in competition. Accordingly I think that, for the purpose of establishing in any prosecution for forging a trade mark that the trade mark has been forged, it is necessary that the prosecution should establish that the act committed was the association of the mark in question by the accused on or in relation to such goods as those to which the word or device was associated in trade as a trade mark."

It is to be noted that section 4 of the 1887 Act is identical to section 69A of the Act except that the former section uses the words "assent" and "forge" whereas the latter section uses the words "consent" and "counterfeit". In my view, there is no real difference in meaning between the word "forge" and "counterfeit"; if anything, "forge" is more extensive in import. I find the approach of Lloyd-Jacob J. to the construction of section 4 very persuasive. I agree with it in principle as it gives the same protection to owners of trade marks that is accorded by the civil law. If the product is genuine, there is no deception on the consumers even if the trade mark is affixed to the product without the consent of the proprietor. This construction gives effect to the fundamental nature of a trade mark, that is to say, as a symbol of the origin of the goods. On this construction a trade mark applied to genuine goods without the consent of the proprietor is not a counterfeit trade mark because it cannot deceive customers into believing that the goods are what the trade mark indicates. On the same basis, "the genuineness of that mark" in section 69D is not determined by whether it is affixed by or with the authority of the manufacturer of the relevant goods but whether that mark indicates that the goods are those of the manufacturer.

If it were necessary to do so, I would be prepared to apply Lloyd-Jacob J.'s construction to sections 69A, 69B and section 69D, as I can see nothing in them to suggest that the legislature had intended, by these provisions, to enable a proprietor of a trade mark to control the sale or distribution of his goods marked with his trade marks so that he can, as Riche Monde has euphematically stated, "continue to keep the official price from being disrupted". However, I find that it is not necessary to do so because there are direct and more persuasive judicial pronouncements nearer home.

Before I consider these authorities, it will be useful to set out the legislative history of sections 69A, 69B and 69D of the Act. Section 69D first appeared in Singapore in 1871 in a different form as section 486 of the Penal Code which was Ordinance No. IV of 1871. As every lawyer in Singapore knows, this Penal Code (as amended from time to time up to the present time) was a re-enactment of the Indian Penal Code of 1860. In 1888, the Merchandize Marks Ordinance No. III of 1888 was enacted in Singapore. This Ordinance was a transcript of the Merchandize Marks Act 1887 of England. This Act did not contain any offence relating to counterfeiting of a trade mark.

In 1889, the legislature of British India passed the Merchandize Marks Act (No. IV of 1889). This Act, although based on the 1887 Act of England, did not re-enact *seriatim* the provisions of the English Act. To avoid any duplication or overlapping of offences relating to trade and property marks in this Act and the Penal Code, section 3 of the Indian Act of 1889 repealed Chapter XVIII of the Indian Penal Code, *i.e.* sections 478 to 489 thereof (which related to counterfeiting of trade and property marks), and substituted therefor new provisions with the same numbering. These provisions as amended applied to both trade marks and property marks. They were therefore a departure from, and an extension of, the provisions of the 1887 Act of England. The next major legislative change in India took place in 1958 when the Indian Parliament passed the Trade and Merchandize Marks Act 1958 which, *inter alia,* deleted the references to "trade marks" in sections 478 to 489 of the Indian Penal Code so that these sections in the Penal Code became offences relating to counterfeiting of property marks. Offences relating to trade marks were incorporated into the 1958 Act. The result was that since 1958, India has:

(a) by the 1958 Act, provided for offences similar to the offences in the 1887 Act of England;

(b) abolished offences relating to counterfeiting of a trade mark and selling goods bearing a counterfeit trade mark;

(c) retained those offences in relation to property marks.

Reverting to the legislative history of section 69D of the Act, the Merchandize Marks Ordinance 1916 was passed in Singapore to amend the law relating to fraudulent marks on merchandize. The object of the Ordinance was to consolidate "the Ordinances relating to fraudulent marks on merchandize and [to incorporate] in an amended form sections 478 to 489 of the Penal Code, which deals with offences relating to trade and property marks". The relevant sections of this Ordinance, *i.e.* sections 8, 10 and 12, remained as such as part of the Merchandize Marks Act (Cap. 179 of the 1970 Ed.) until 1975 when it was repealed by the Consumer Protection (Trade Description and Safety) Act 1975 which, at the same time, incorporated the said sections 8, 10 and 12

of the repealed Act (as modified by the omission of references to "property marks") as sections 69A, 69B and 69D respectively of the Trade Marks Act (Cap. 206, 1970 Ed.). Sections 69A, 69B and 69D are now sections 70, 71 and 73 of the Trade Marks Act (Cap. 332 of the 1985 Ed.).

The net result of these changes was that since 1975 Singapore has, unlike India,

(a) abolished the offences relating to counterfeiting of property marks whilst retaining similar offences relating to trade marks;

(b) by the 1975 Act, retained the offences similar to those in the 1887 Act of England except that the offences relate to counterfeiting a trade mark as distinguished from forging a trade mark.

The only other relevant legislative provision that I need to advert to is section 28 of the Penal Code which has formed part of the Indian Penal Code since 1860 and of the Singapore Penal Code since 1871. Section 28 defines the expression "counterfeit". The earlier definition contained one explanation but a second explanation was added to both Penal Codes in or after 1889. Although section 28 was not enacted as part of the Merchandize Marks Ordinance 1916, it is in my view, a provision which is relevant for the purpose of interpreting the meaning of "counterfeit trade mark" in section 69D of the Act because of the historical connection between the trade mark offences in the Penal Code and the Merchandize Marks Ordinance. It serves to confirm the ordinary meaning of counterfeit as "to make an imitation of, imitate (with intent to deceive)": *The Shorter Oxford Dictionary* 3rd Ed.

Section 28 of the Penal Code reads as follows:

"A person is said to 'counterfeit' who causes one thing to resemble another thing, intending by means of that resemblance to practise deception, or knowing it to be likely that deception will thereby be practised.

Explanation 1. – It is not essential to counterfeiting that the imitation should be exact.

Explanation 2. – Where a person causes one thing to resemble another thing and the resemblance is such that a person might be deceived thereby it shall be presumed until the contrary is proved that the person so causing the one thing to resemble the other thing intended by means of that resemblance to practise deception or knew it to be likely that deception would thereby be practised."

The definition requires an intention to deceive, the *mens rea*, and an act of deception, the *actus reus*. Explanation 2 has the effect of shifting the burden of proving a contrary intention where the *actus reus* is proved.

I only need to mention *en passant* that the presumption in Explanation 2 has no application to the present case as the appellants have not been charged with the offence of counterfeiting a trade mark but of having goods bearing a counterfeit trade mark.

I now turn to the relevant Indian decisions on section 486 of the Indian Penal Code decided before and after it was amended in 1958.

In *Syon Sheeman & Co.*[11] the complainant sold porcelain goods under his trade mark and the name "Syon Sheeman & Co." also appeared on the goods. The accused had certain porcelain goods with these marks in his possession which admittedly he had not purchased from the complainant. What had happened was that the accused had bought the goods from one S who had originally obtained them from Japan and it appeared that the manufacturers of the goods in Japan had either put the trade mark of the complainant upon the goods by mistake or had sent the goods by mistake to S instead of to the complainant. The court held that the accused could not be convicted under section 486 inasmuch as the marks on the goods were not counterfeit as defined by section 28 of the Penal Code, which involved an intention to practise deception.

In *Local Government* v. *Motilal Jain*[12] the accused had in his possession for sale bottles of a children's elixir known as Dongre's Balamrit (which was manufactured by the firm of K.T. Dongre of Bombay) and also a spurious product in similar bottles with labels bearing the description "Domre's Balamrit" and "K.R. Domre, Bombay". The court found that the labels on the spurious article were such as would deceive unwary purchasers into believing they were purchasing genuine products. The complainant, in order to entrap the accused, went to the accused's shop and asked to buy Dongre's Balamrit and was offered a genuine bottle at 12 annas. He considered that too expensive and asked for another and cheaper variety. He was offered a bottle of Domre's Balamrit at 8 annas a bottle and was told it was Domre's and not Dongre's. The accused was charged under section 486 of the Penal Code. The Nagpur High Court held that the accused had not committed an offence on the following ground:

"The provisions of section 486 of the Indian Penal Code are aimed at a retailer who connives with a fraudulent wholesaler or manufacturer in palming off on an unsuspecting public goods which purport to be other than what they are. The accused does not come within this category. No attempt at substitution was made and the Domre's bottles were offered at a lower price as being a different and cheaper article."

In *Dasarath Singh* v. *State*[13] the appellant's shop was searched in the presence of witnesses and two cartons of soap wrapped in waxed paper bearing the label "Sunlight Soap – Lever Bros. (India) Ltd." were recovered. At the time of the search there was an expert from Lever Bros. to help test whether the cakes were genuine or not. The cakes were later sent for chemical examination and found not to be genuine Sunlight soap manufactured by Lever Bros. The appellant was charged under, *inter alia*, section 486 of the Penal Code. He pleaded not guilty but called no evidence and was convicted. He appealed on the grounds that the elements of an offence under section 486 had not been established. The appeal was dismissed. In the course of his judgment, Mookerjee J. discussed the burden of proof under this section. His Lordship said:

"The question, therefore, arises whether in the present case the general onus has in the first instance been discharged by the prosecution. It is only then that the question of onus on the person charged becomes relevant. It is to be observed that evidence was called to show that the accused persons were storing for sale cartons containing cakes which upon examination turned out to be spurious and were imitations of a well-known brand of soap called Sunlight Soap.

The search took place in the presence of witnesses when recovery was made. There can, therefore, be no question that the accused person was possessing the cartons containing spurious cakes. The other elements which the prosecution has succeeded in proving is that on occasions prior to the actual seizure of the cakes, the appellant was apprised of the inferior quality of the soap cakes he had been selling, and that he had agreed to inform the persons responsible for the sale of such cakes to him.

The further circumstance relied upon by the prosecution is that the expert from Lever Brothers deposed that the cakes in question were spurious and that they were not the manufactured property of Lever Brothers Ltd. If the prosecution succeeded in proving these elements, I think they must be held to have discharged the primary or general onus. Question would then arise whether the circumstances transpiring in the case would show that the appellant succeeded in discharging the burden laid upon him."

(emphasis added).

In *Dina Nath Kapoor* v. *State*[14], the accused was a bicycle dealer. His shop was searched on November 18, 1958 and four cycle frames bearing the name "Herculeans", four cycles bearing the trade mark "Philipines", one cycle bearing "BSC" and three cycle seats bearing the name "Brooks" were recovered. These trade marks were not the original trade marks of the various companies but had been made subsequently. The accused was charged under section 486 for having in his possession for sale goods bearing counterfeit trade marks. No evidence was led as to and it was not proved that the articles in question were not the manufacture of the various companies whose trade marks they bore. The accused was convicted. On revision, the only question was whether the prosecution had discharged the burden of proving the essential elements of the offence. The High Court in Allahabad set aside the conviction. The relevant part of the judgment of Sharma J. reads as follows:

"(6) The ingredients of an offence under section 486 of the I.P.C. are:

(1) the accused sold or exposed or had in possession for sale or any purpose of trade or manufacture any goods or things;

(2) such goods or things had some trade mark or property mark affixed to or impressed upon them;

(3) such trade mark or property mark was counterfeit.

Section 28 of the I.P.C. says:

'A person is said to 'counterfeit' who causes one thing to resemble another thing, intending by means of that resemblance to practise deception, or knowing it to be likely that deception will thereby be practised.'

A counterfeit trade mark is one by means of which resemblance to a genuine article is intended to deceive or to lead a purchaser to imagine that the counterfeit is in reality the genuine article. *Therefore if a trade mark of a company is put on an article belonging to or manufactured by that company, then the trade mark is not counterfeit.* An article does not cease to be the manufacture of a particular company merely because it has become old or the trade mark on it has faded. Suppose a "Hercules" bicycle is repainted including its trade mark. Can it be said that the trade mark is counterfeit? Similarly, if a trade mark label on a bottle is torn off and another is affixed, can it be suggested that the trade mark is counterfeit? The answer is decidedly in the negative, because the article being genuine, there can be no intention to deceive.

(7) It was urged on behalf of the state that the onus lay on the accused and it had not been discharged. Reliance is placed on *Holland Bombay Trading Co.* v. *Buktear Mull* 8 Cal. W.N. 421 where it was held that the onus is not on the complainant to show that the accused acted dishonestly but on the accused to show that he has not committed any offence under section 486 of the I.P.C. It is only when it is proved that an accused person has sold or exposed or had been in possession for sale or any purpose of trade or manufacture any goods or things with a counterfeit trade mark

that the onus will lie on him to show that he acted honestly and did not commit an offence. *As it is not proved that the trade marks on the articles recovered from the applicant are counterfeit, there could be no question of the applicant proving his innocence.*" (emphasis added).

The last Indian decision relevant to the present appeal is that of *Sumat Prasad* v. *Sheojanan Prasad.*[15] In this case, the appellant was charged under section 482 (using a false property mark) and section 486 (selling goods marked with a counterfeit property mark). The facts are not relevant but the judgment of the Supreme Court of India is relevant for the observations of the court on the difference between a trade mark and a property mark and the essential elements of the offence of selling goods bearing a counterfeit property mark. Shelat, Acting C.J., delivering the judgment of the court said:

"7. The concept of a trade mark is distinct from that of a property mark. A mark, as defined by section 2(1)(j) of the Trade and Merchandize Marks Act 1958, includes a device, brand, heading, label, ticket, name, signature, word, letter or numerical or any combination thereof. A trade mark means a mark used in relation to goods for the purpose of indicating or so as to indicate a connection in the course of trade between the goods and some persons having the right as proprietor to use that mark. The function of a trade mark is to give an indication to the purchaser or a possible purchaser as to the manufacture or quality of the goods, to give an indication to his eye of the trade source from which the goods come, or the trade hands through which they pass on their way to the market (per Bowen L.J. in *In re Powell's Trade Mark* (1893) 10 R.P.C. 200). On the other hand, a property mark, as defined by section 479 of the Penal Code means a mark used for denoting that a movable property belongs to a particular person. Thus, the distinction between a trade mark and a property mark is that whereas the former denotes the manufacture or quality of the goods to which it is attached, the latter denotes the ownership in them. In other words, a trade mark concerns the goods themselves, while a property mark concerns the proprietor. A property mark attached to the movable property of a person remains even if part of such property goes out of his hands and ceases to be his ...

8. The question then is whether the complaint in substance, if not in form, contained the necessary averments for bringing the case under the offence of using a false property mark by the appellant and selling goods with a counterfeiting property mark. To succeed on the charges under section 482 and section 486 the complainant had to establish that the appellant marked the scent manufactured and sold by him, or the packets and receptacles containing such scent or used packets or receptacles bearing that mark, and that he did so in a manner reasonably calculated to cause it to be believed that the goods do marked or the scent contained in the packets and receptacles so marked belonged to the complainant. *For the purpose of section 486, he had further to establish that the appellant had sold, or exposed for sale, or had in his possession for sale goods having a mark calculated to cause it to be believed that the scent was the scent manufactured by and belonging to the complainant.*" (emphasis added).

The Indian cases I have referred to above are of great persuasive authority on the meaning of the expression "counterfeit trade marks" in section 69D of the Act, decided as they were on provisions corresponding to those in the Singapore Act. It is true that the Indian courts were able to call in aid the statutory definition of "counterfeit" in section 28 of the Indian Penal Code in construing section 486 thereof, but in my view, the statutory definition does not go beyond the ordinary or dictionary meaning of the expression "counterfeit". The construction given by the Indian courts to section 486 of the Indian Penal Code is consistent with, and gives effect to, the fundamental nature and function of a trade mark. In my view, this construction is correct in principle and I adopt it.

It therefore follows that for a charge to be made out under section 69D of the Act, the prosecution must prove that the accused has in his possession for sale goods to which have been affixed or impressed a trade mark without the consent of the owner thereof calculated to deceive customers into believing that the goods are genuine (*i.e.* originating from the owner of the trade mark) when they are not.

In this case, the prosecution has not produced any evidence to prove that the 17,246 bottles contained XO Cognac brandy not manufactured by the Hennessy company. No test of the contents was conducted. The Deputy Public Prosecutor has submitted that there is sufficient evidence on record for any reasonable judge to find that the said bottles do not contain genuine XO Cognac brandy. I do not agree.

The record shows that (1) the prosecution did not adduce any evidence, expert or otherwise, as whether or not the contents of the 17,246 bottles contained genuine Hennessy XO brandy as no test had been conducted; (2) the magistrate ruled that the genuineness of the products was not an essential ingredient of the offence and accordingly decided that such evidence was irrelevant; and (3) he disallowed the appellants' application to have the contents tested. Furthermore, the record also shows that the complainants had no belief that the contents were spurious: their past experience with the appellants and their conduct after the purchase of the stocks of brandy from the appellants showed that they regarded the product as counterfeit for no reason other than that the labels on the bottles were not supplied to or affixed by the manufacturers or their authorized agents. This is not a case of giving a reasonable doubt to the

appellants. There was just no evidence as to the genuineness of the merchandize.

For the above reasons, I am of the view that the conviction of the appellants on the charge cannot be sustained. I set it aside and order that the fine of $2,000 be refunded and the 17,246 bottles be returned to the appellants.

Appeal allowed.

Solicitors: *Lee & Lee.*

SEOW PUAY SENG v. PUBLIC PROSECUTOR

[A.Cr.J. (Chan Sek Keong J.C.) 15 February 1988]

[Singapore – Magistrate's Appeal No. 365 of 1987]

Criminal Procedure – Sentencing – Section 224(c)(iii) of Criminal Procedure Code – Explanation of – Whether sentences of imprisonment given in default of payment of fines excessive and/or wrong in law – Factors to consider – Criminal Procedure Code (Cap. 68, 1985 Ed.), ss. 224(b)(iv) & 224(c)(iii)(B) & (C).

The appellant was convicted of four offences under the Films Act as follows:

(a) making video tapes without a licence under section 6(1) of the Act;

(b) distributing uncensored video tapes under section 6(1);

(c) having in his possession 217 video tapes without a valid certificate authorizing the exhibition thereof under section 21(1) of the Act;

(d) having possession of an obscene video tape under section 29(1) of the Act.

He was sentenced to a fine of $5,000 (in default three months' imprisonment) on the first charge; a fine of $5,000 (in default three months' imprisonment) on the second charge; a fine of $100 per tape (in default three days' imprisonment) for each tape on the third charge and a fine of $500 (in default five weeks' imprisonment) on the fourth charge.

The first and second charge did not specify the number of video tapes that the appellant allegedly made or distributed.

The first submission by defence counsel was that the default sentences on the first and second charges were excessive in that they bore no proportion to the maximum penalty that could be suffered by the accused. The second submission was that by imposing a default sentence of 651 days' imprisonment in respect of the third charge, the district judge had erred in law as the maximum default sentence, by virtue of section 224(c)(iii)(C) of the Criminal Procedure Code, was only six months and therefore the default sentence of 651 days' imprisonment exceeded the maximum punishment allowed by the law.

The respondent submitted that the sentence on the third charge was correct as section 224(c)(iii) applies to each fine. According to the respondent, each of the fines falls within section 224(c)(iii)(B) of the Code and therefore the total default sentence may exceed four months.

Held, allowing the appeal: (1) sub-paragraphs (A), (B) and (C) of section 224(c)(iii) must be read subject to the terms of the main paragraph (c) which refers to "the offence". The offence was not having unlawful possession of one tape but of 217 tapes. There was only one offence. Although a fine was imposed for each tape, the total fines on all the tapes constitute the collective punishment for that one offence. Accordingly, the default sentence on the total fine of $21,700 must fall within sub-paragraph (C) which provides that the default term of imprisonment shall not exceed six months;

(2) as the appellant was a first offender and as the culpability of the accused in respect of the first three charges overlapped to a certain extent, the default sentences on the first and second charges were excessive even though they cannot be said to have ignored the principle of proportionality in sentencing. The sentence on the third charge was wrong in law and the default sentence had the effect of a maximum sentence against a first offender. Even taking into account the large number of tapes involved in the offence, the sentence was still excessive. The sentence on the fourth charge ignores the principle of proportionality in sentencing;

(3) taking into account the fact that the appellant was charged with making a tape rather than a big number of tapes, the benefit of the doubt should be given to the accused since the charge did not specify the number of tapes that was involved and the facts showed that at the time of the police raid only one tape was in the process of being made. Similarly, taking into account the situation that the charge of distributing tapes did not specify the number being distributed and after considering all the above factors, the following default sentences should be adequate. On the first charge, the sentence should be one and a half months; on the second charge one and a half; on the third charge four months and on the fourth charge two weeks.

MAGISTRATE'S APPEAL.

Amarjit Singh for the appellant.

Jasvender Kaur (Ms) (Deputy Public Prosecutor) for the respondent.

Chan Sek Keong J.C. (delivering oral judgment): In this appeal, the appellant was convicted of four offences under the Films Act as follows:

(1) making video tapes without a licence under section 6(1) of the Act;

(2) distributing uncensored video tapes under section 6(1);